

Message Text

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ORIGIN EB-08

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R 130439Z MAY 78
FM SECSTATE WASHDC
INFO ALL AFRICAN DIPLOMATIC POSTS
AMEMBASSY CAIRO
AMEMBASSY TRIPOLI
AMEMBASSY TUNIS
AMEMBASSY RABAT

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FOL LIBREVILLE 1072 SENT ACTION SECSTATE INFO BELGRADE BERN
BRASILIA BRUSSELS BUNOES AIRES COPENHAGEN THE HAGUE HELSINKI
JIDDA KUWAIT LONDON MADRID MANILA PARIS OSLO OTTAWA ROME
STOCKHOLM TOKYO BONN MAY 5, 1978 REPEATED TO YOU QUOTE

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DEPT PLS PASS ALL AF POSTS

MANILA FOR USADB

PASS TREASURY FOR ASSITANT SECRETARY BERGSTEN

TAGS: EAID, EFIN, AFDB, AFDG
E.O. 11652: N/A
SUBJ: SECOND GENERAL REPLENISHMENT OF THE AFRICAN
DEVELOPMENT FUND
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REF: (A) LONDON 20392; (B) GENEVA 3568

SUMMARY: DONORS TO THE AFRICAN DEVELOPMENT FUND (AFDF)
REACHED AGREEMENT ON A 700 MILLION FUND UNIT OF
ACCOUNT (FUA \$1.11) REPLENISHMENT TARGET FOR
THE AFDF'S SECOND REPLENISHMENT PERIOD (1979-81).

USDEL REAFFIRMED THE PLEDGE PRESIDENT CARTER MADE DURING HIS RECENT VISIT TO AFRICA TO SEEK CONGRESSIONAL APPROVAL OF A U.S. CONTRIBUTION OF \$125 MILLION, TO BE SUBSCRIBED IN THREE EQUAL INSTALLMENTS DURING 1979-81. THE TRIGGER MECHANISM ADOPTED WAS SIMILAR TO THAT ADOPTED IN THE RECENTLY CONCLUDED ASIAN DEVELOPMENT FUND REPLENISHMENT. AFDF RESOLUTION PROVIDE THAT DONORS WILL OBTAIN VOTES IN AFDF AS THEY MAKE ACTUAL PAYMENT OF EACH INSTALLMENT OF THEIR SUBSCRIPTION. END SUMMARY.

1. AT THE THIRD MEETING OF THE SECOND REPLENISHMENT OF THE AFRICAN DEVELOPMENT FUND HELD IN LIBREVILLE ON APRIL 30, MAY 3 AND MAY 4, IN CONJUNCTION WITH THE 1978 ANNUAL MEETING OF THE AFRICAN DEVELOPMENT BANK AND FUND, AFDF DONORS MAINTAINED THE CONSENSUS REACHED AT THE GENEVA MEETING IN MARCH (REF B) THAT THE REPLENISHMENT SHOULD TOTAL FUA 700 MILLION. THE PLEDGES MADE AT LIBREVILLE TOWARD ATTAINMENT OF TARGET TOTALLED, HOWEVER, ONLY FUA 608.1 MILLION, WITH FUND MANAGEMENT BEING AUTHORIZED TO SEEK THE BALANCE. PLEDGES, BY COUNTRY, ARE AS FOLLOWS (EXPRESSED IN MILLIONS OF FUA):

BELGIUM 12.0
BRAZIL 9.0
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CANADA 67.6
DENMARK 25.0
FINLAND 8.0
FRANCE 19.5
GERMANY 73.5
ITALY 30.0
JAPAN 95.0
NETHERLANDS 18.0
NORWAY 30.0
POLAND 10.0
SWEDEN 42.0
SWITZERLAND 26.0
UNITED KINGDOM 30.0
USA 112.5
TOTAL 608.1

LIKELY SOURCES OF ADDITIONAL FUNDS ARE CONSIDERED TO BE KUWAIT, SAUDI ARABIA, ARGENTINA, YUGOSLAVIA, THE UAE, THE AFRICAN DEVELOPMENT BANK (AFDB) ITSELF, AND PERHAPS AN ADDITIONAL SUBSCRIPTION FROM FRANCE. NONETHELESS IT IS CONSIDERED UNLIKELY THAT FUA 700 MILLION TARGET WILL BE ATTAINED. AS SOME

DELEGATIONS' INSTRUCTIONS WERE BASED ON CONTRIBUTING A CERTAIN PERCENTAGE TO THE REPLENISHMENT FIGURE, MAINTENANCE OF FUA 700 MILLION TARGET FIGURE WAS VIEWED AS ESSENTIAL BY SEVERAL DONORS.

2. SOME COUNTRIES, INCLUDING U.S., UK, AND CANADA, PLEDGED IN NATIONAL CURRENCIES, WHILE MOST COUNTRIES, INCLUDING GERMANY AND JAPAN, PLEDGED IN FUA. CONVERSIONS FROM NATIONAL CURRENCIES INTO FUA ARE BEING MADE AT THE RATES PREVAILING ON APRIL 28, 1978.

3. THE U.K. HAD ORIGINALLY PLEDGED FUA 26 MILLION (EQUIVALENT) BUT INCREASED ITS PLEDGE TO FUA 30 MILLION AFTER THE U.K. AND FRANCE CAME UNDER SEVERE LIMITED OFFICIAL USE

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CRITICISM FROM AFDF PRESIDENT FORDWOR IN HIS SPEECH BEFORE THE FIRST PLENARY SESSION OF THE BANK/FUND ANNUAL MEETING ON MAY 1, WITH RESPECT TO THE SMALL AMOUNT OF THEIR PLEDGES.

4. THE U.S. PLEDGE OF \$125 MILLION (MADE SUBJECT TO CONGRESSIONAL APPROPRIATION) ANNOUNCED BY PRESIDENT CARTER IN NIGERIA AND EAFFIRMED BY TREASURY ASSISTANT SECRETARY BERGSTEN AT LIBREVILLE WAS WELL RECEIVED. (SEE ALSO SEPTTEL ON ANNUAL MEETING). IN HIS STATEMENT AT THE REPLENISHMENT MEETING BERGSTEN STRESSED IMPORTANCE US ATTACHES TO AFRICAN DEVELOPMENT, TO MULTILATERAL ASSISTANCE, AND TO THE AFDF. HE ALSO STATED THAT THE DELAY INFORMULATING A US POSTION WAS DUE TO A SLOW, DELIBERATE PROCESS ADOTPED TO INSURE THAT U.S. PLEDGES WILL BE SUSTAINED BY THE U.S. CONGRESS IN A TIMELY FASHION.

5. JAPAN'S PLEDGE OF FUA 95 MILLION WAS ALSO WELL RECEIVED. IT WAS CONSIDERABLY HIGHER THAN HAD BEEN EXPECTED.

6. THE TRIGGER MECHANISM ADOPTED WAS SIMILAR TO THAT ADOPTED IN THE RECENTLY CONCLUDED ASIAN DEVELOPMENT FUND REPLENISHMENT. ALL MEMBERS' SUBSCRIPTIONS WILL BE DIVIDED INTO THREE EQUAL TRANCHES, FOR LOAN COMMITMENT PURPOSES, WITH THE FIRST TRANCHE OF THE SUBSCRIPTIONS OF THE COUNTRIES WHICH HAVE MADE UNQUALIFIED COMMITMENTS (NOT SUBJECT TO APPROPRIATION) PRIOR TO THE EFFECTIVE DATE OF THE REPLENISHMENT BECOMING EFFECTIVE CONCURRENTLY WITH THE REPLENISHMENT. THE SECOND AND THRID TRANCHES OF COUNTRIES MAKING UNQUALIFIED COMMITMENTS WILL LIMITED OFFICIAL USE

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BECOME AVAILABLE FOR COMMITMENT ON JANUARY 1, 1980 AND 1981 RESPECTIVELY, IF PRIOR TO THOSE DATES COUNTRIES MAKING PREVIOUSLY QUALIFIED COMMITMENTS (I.E., THE U.S.) HAVE MADE UNQUALIFIED COMMITMENTS OF ONE THIRD AND TWO THIRDS OF THEIR SUBSCRIPTIONS. IN ORDER TO ALLOW THE FLEXIBILITY DESIRED BY THE U.S. THE ARRANGEMENTS ALSO PROVIDE THAT IF THE U.S. FINDS IT IMPOSSIBLE TO MAKE COMMITMENTS ON SCHEDULE, IT WILL CONSULT WITH THE FUND TO ESTABLISH A REVISED PAYMENT SCHEDULE AND THE BOARD OF DIRECTORS MAY MODIFY THE ABOVE PERCENTAGES TO ALLOW THE FUND TO CONTINUE TO MAKE COMMITMENTS. THE ARRANGEMENTS ALSO PROVIDE THAT, IN CASE OF SUBSTANTIAL CUTS OR DELAYS, OTHER DONORS, AFTER CONSULTATION WITH THE FUND, MAY IF THEY WISH RESTRICT COMMENSURATELY THE AMOUNT OF THEIR SUBSCRIPTION AGAINST WHICH THE FUND MAY MAKE COMMITMENTS. IN ADDITION, THE ARRANGEMENTS ALSO PROVIDE THAT IN CASE OF SEVERE DELAYS IN THE RECEIPT OF SUBSCRIPTIONS THE FUND COULD CONVENE A MEETING OF DONOR COUNTRIES TO CONSIDER WAYS OF OBTAINING THE NECESSARY SUBSCRIPTIONS.

7 RESOLUTIONS ALSO ADDRESSES THE QUESTION OF ALLOCATION OF VOTING RIGHTS. (THIS CONSTITUTES A DISTINCTION BETWEEN AFDF REPLENISHMENT AND ASIAN DEVELOPMENT FUND REPLENISHMENT WHERE VOTES WERE NOT AN ISSUE, SINCE VOTES IN ASIAN BANK/FUND GROUPS ARE DETERMINED BY SUBSCRIPTIONS TO THE ASIAN DEVELOPMENT BANK RATHER THAN CONTRIBUTIONS TO THE ASIAN DEVELOPMENT FUND). USDEL PREVAILED IN HAVING DRAFT RESOLUTION PROVIDE THAT VOTING RIGHTS WILL BE ASSIGNED WHEN ACTUAL PAYMENTS (CASH OR NOTES) ARE MADE, RATHER THAN WHEN DONOR COUNTRIES MAKE UNQUALIFIED COMMITMENTS. MOST COUNTRIES ARE EXPECTED TO MAKE UNQUALIFIED COMMITMENTS FOR THE FULL AMOUNT OF THEIR SUBSCRIPTION AT THE TIME THEY DEPOSIT THEIR

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INSTRUMENT OF SUBSCRIPTION. IF UNQUALIFIED COMMITMENTS HAD BECOME THE BASIS FOR GRANTING VOTING RIGHTS, OTHER COUNTRIES WOULD HAVE RECEIVED THEIR FULL VOTING RIGHTS UNDER THE REPLENISHMENT WHEN THEY DEPOSITED THEIR UNQUALIFIED INSTRUMENT OF SUBSCRIPTION, WHILE THE U.S. WOULD HAVE RECEIVED ITS VOTING RIGHTS EACH YEAR AS THE CONGRESS

APPROPRIATED FUNDS, THEREBY "UNQUALIFYING" THE U.S. COMMITMENT. RESOLUTION PROVIDES THAT THE TOTAL AMOUNT OF EACH SUBSCRIPTION IS PAYABLE IN THREE ANNUAL INSTALLMENTS OF ASCENDING OR EQUAL MAGNITUDE.

8. NETHERLANDS, CANADA, AND JAPAN, AS WELL AS OTHERS WERE RELUCTANT TO ACCEPT THE VOTING RIGHTS FORMULATION, WITH JAPAN RESERVING ITS POSITION ON THAT PORTION OF THE REPLENISHMENT RESOLUTION.

9. WITH EXCEPTION OF JAPANESE RESERVATION REGARDING METHOD OF OBTAINING VOTES, REPLENISHMENT RESOLUTION WAS CONSIDERED SATISFACTORY BY ALL DONOR PARTICIPANTS. JAPANESE AFDL DIRECTOR IS EXPECTED TO RECEIVE INSTRUCTIONS FROM TOKYO WILL IN ADVANCE OF JUNE 7 BOARD OF DIRECTORS MEETING IN ABIDJAN AT WHICH RESOLUTION AND ACCOMPANYING REPORT WILL BE CONSIDERED PRIOR TO SUBMISSION TO GOVERNORS FOR ADOPTION. SHOULD JAPANESE INSIST THAT VOTING SYSTEM UNDER WHICH VOTES ARE GRANTED ON BASIS OF ACTUAL PAYMENT RATHER THAN ON BASIS OF UNQUALIFIED SUBSCRIPTIONS AS UNACCEPTABLE, IT IS POSSIBLE THAT A FOURTH REPLENISHMENT MEETING WOULD HAVE TO BE HELD. TIENKEN UNQUOTE VANCE

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